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Agricultural Economics in the New Millennium: Lessons from the Old Millennium

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ABSTRACT

It is appropriate as we enter a new century that we reflect on the past one since our profession is nearly 100 years old: the American Association of Farm Economics was formally created in 1910. "Savvy through one hundred years of progress and experience" is one description that comes to mind. "Geriatric" is another word that might fit. I intend to highlight some broad topics that have occupied agricultural economists' teaching and research over the past 100 years, to reflect in a little more detail about our thoughts over the past 12 years as revealed in the presidential addresses at AAFA and SAEA annual meetings, to make some rather terse comments about current important issues as they relate to the issues of the past, and to conclude with some advice for the younger members of our profession and our association that may be of value in the new century. I emphasize the word *may*, because I am much less certain about the wisdom of my beliefs today than if I had been given the opportunity to give this talk 18 or even 11 years ago.¹

Lessons from the Evolution of the Profession

The founding fathers of agricultural economics busied themselves with analysis and advice about farm-firm level decision making and the collection of accurate and understandable data about the agricultural and rural sector. In the 1930s and 1940s, the cutting edge emphasis was on farm programs and policies for the De-

pression and World War II. Another important field was the development, nurture, and role of farm cooperatives. Coinciding with my entry into this exciting field of endeavor in the 1960s was an emphasis on marketing, which I embraced enthusiastically. During the last 25 years of the century, environmental and natural resource issues have been at the forefront. International trade issues were the focus of many of our programs in the 1930s, the 1970s, and again in the 1990s.

Economic development, both domestic and foreign, has been another important focus for the profession over the past century, but support for these programs has suffered over the years because of a diffused focus: economic development encompasses infrastructure, education, access to services, jobs, and more. Compare this to agricultural marketing. Everybody knows marketing is a field of study

¹ The author is referred to by two of his colleagues, former editors of the *SJAE*, as the Harold Stassen of ag economics because of his numerous unsuccessful nominations for President and other offices in the Southern and American Associations.

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that will enable producers to sell more at higher prices—clearly impossible, but a notion we take advantage of when selling our programs. Many years ago Burl Long and I thought about writing a paper about the conceptual similarities in the two subdisciplines, such as what constitutes a community versus what is a market. We didn't get around to writing it, but we did come up with a title: "The Emperor Has No Clothes."

Important topical areas for agricultural economists have evolved, and emphasis upon them has waxed and waned over the century. Conservation begat natural resource economics and environmental economics. Study of cooperatives begat agribusiness management. Farm policy analysis reaches a fever pitch every five to seven years as new farm legislation nears. Some said "no more" after Freedom to Farm, but others of us predicted that the obituaries were premature even before the ink of the 1996 Farm Act was dry.

Advancing technology has been yet another driving force for what we do and, perhaps more importantly, how we do it. Mechanization, hybrid seed and commercial fertilizer, and now biotechnology have provided fertile fields for research and educational programs, and all have provided impetus for dramatic change in the agricultural economics profession.

The impact of the computer in the 1960s on agricultural economics cannot be overstated. The days of agricultural economics at the beginning of the computer age were a riot. Graduate students scurried around carrying huge boxes or stacks of punch cards. Woe if a box was dropped and scrambled. Students were known to carry boxes around just to appear busy. Time on the lumbering mainframes or the massive but crude departmental machines had to be scheduled weeks in advance, often in the early morning. A particular favorite of mine was an IBM machine called a "sorter." Once the cards had been fed in the user could actually *see* the frequency distribution being tabulated. Which brings me to my first lesson: the ability to *see*, interpret, and explain economic phenomena is the most important gift of the agricultural economist. It is

my opinion that the information age and our concurrent ability to process that information often clouds our ability to see. To quote T. S. Eliot:

Where is the wisdom we have lost in knowledge?

Where is the knowledge we have lost in information?

The advent of the computer occurred almost simultaneously with the release of the "Pound Report," (Pound) which criticized Land Grant Universities for their lack of rigor. The computer provided the means to manipulate enormous data sets toward answers about critical problems. Agricultural Economics embraced the Pound Report enthusiastically. Now we had rigor—in spades.

When I entered the profession 30 years ago, agricultural economists were expected to have an independent program of research and education, but we were also commanded to participate in research projects and extension programs in other departments. My research program at Virginia Tech was half on my Hatch project, with the other half on projects in Dairy Science, Food Science, and even Urban Planning. I performed trouble-shooting in milk plants with a food scientist and an engineer. At Clemson, I embarked on month-long tours of the state with agronomists, plant pathologists, agricultural engineers, and entomologists for commodity meetings.

This structure certainly had weaknesses, but it kept us constantly attuned to what was evolving in the agricultural and rural sectors and to the problems facing our clientele. Like most of us, I achieved disciplinary independence in my programs in the 1980s, but now I find myself returning to new versions of the old model. For example, I chair a Clemson team that is researching animal agriculture issues (waste, concentration, economic impacts, etc.) that includes animal scientists, sociologists, and even a professor from philosophy and religion. Multidisciplinary programs are a must, and as I have stated before, we ought to take advantage of the SAAS umbrella to create such a focus at future meetings.

Thus, we have some more clues for my

“lessons.” The profession will evolve with the issues, and the issues are likely to be similar to the ones of the past century, despite the enormity of changes we have seen and will see in the farm and rural sector. So, slightly faster than continental drift, the profession has evolved, with program emphasis shifting with real or perceived problems. Serious lags sometimes occur. For example, last year my department announced a natural resource economist position and received more than 90 applications, most of them outstanding candidates. We then announced an economic development position and got only five applicants. Agribusiness specialists are even harder to find.

I believe the profession’s role in solving problems of the next century will be similar to that in the past one, although the problems and issues are likely to evolve and change more quickly. We will need to be more nimble. Individuals, departments, and agencies with great breadth are more nimble than those with great depth. We will need to be more anticipatory. We will need to sell our administrators and funding agencies on our comparative advantages.

Funding support for Land Grant Universities will likely continue to demand leanness and efficiency. We need to convince our administrators that these two words are not synonyms. Administrators may be forced to make tough choices and set genuine priorities. Who better than agricultural economists to see the big picture and lead in setting priorities? Who better to evaluate the payoff of research projects and extension programs? Smart administrators may even recognize that we are bargains—\$100,000 to put a Ph.D. economist on board compared to \$350,000 for a bench scientist. This won’t endear us to colleagues in other departments, but it is a role we are trained for and one from which we shouldn’t shrink.

The profession drifted dangerously from relevance to rigor during the last part of the 20th century. I can’t forget Charlie French’s comment on one chapter of my dissertation, which contained a lot of multiple regressions. He wrote, “This doesn’t add much but will convince Havlicek that we have the pseudo-

rigor required.” It is my belief and fervent hope that the scale is now swinging back into an appropriate balance. *Choices*, the *Review of Agricultural Economics*, and the creation within AAEA of sections such as Extension, and Food and Agricultural Marketing Policy are all positive signs. C-FARE was created to support the profession by touting our potential contributions to policymakers and funding agencies at the national level, but it has little to tout if the profession is not relevant, is not understandable at the Reader’s Digest level, and is not concise. The signs are not all positive.

In criticizing the drift toward rigor in agricultural economics, I am not castigating all research based upon mathematics and statistics. There is a body of work that our profession has produced that transcends rigor. This work should be treasured, learned from, and built upon. I am, however, criticizing my colleagues who produce such gems as papers entitled “Toward Better Teaching” that begin, “Let a set of N students be represented by a vector $T \dots$ ” I am also criticizing my colleagues who inquire if I have a data set that they can churn through their neat models.

In criticizing the profession’s drift to rigor, am I criticizing the peer review process? The answer here is, in many cases, yes. For one thing, the rigorites and those with vested interests have captured the review panels. Many of us have horror stories about *AJAE* submissions or grant proposals. Also, we ignore the high costs of peer review. For years I have begged for CSREES, or somebody, to conduct an *ex post* analysis comparing the costs and benefits of peer-reviewed projects, such as those funded under the National Research Initiative, with costs and benefits of conventionally funded projects. When the review costs and the up front development costs of unfunded proposals are considered, is the technique cost-effective? Why do we not subject projects to *ex post* as well as *ex ante* reviews?

Presidential Lessons

It is almost obligatory for incoming presidents to turn to the wisdom of their predecessors in their addresses. So shall I. Another goal in re-

viewing these addresses was my desire to do something different, since not all of these addresses made particularly exciting reading or hearing.

In looking at the presidential addresses for AAEA and SAEA since 1988, the first thing to note is that three of the authors addressed both groups (Batie, Libby, Christy). The one thing I can predict with utmost confidence is that I will not follow in their footsteps.

The majority of the most recent 24 presidential addresses deal with broad challenges to the profession: teaching (Manderscheid, Broder, Adrian), the land grant system (Beatlie, Reinschmiedt), comparative advantage of agricultural economists (Houck), coordinating research and extension (Barry), relevance (Eidman), professional diversity (Libby 1991), weakness in applied policy analysis (Bog-gess), and economic correctness (Christy 1993). Other presidents focused on particular current issues: sustainable development and the environment (Batie 1989, 1988), structural change (Johnston), common property rights (Libby 1994), role of government (Christy 1996, Duffy), the food distribution industry (Capps), and international trade (Marchant). One address stands in splendid isolation for the uniqueness of its subject matter: dynamic theory (Trapp). Three addresses stand out for their broad-based look at changes that are occurring and the implications for agricultural economists and the Associations that serve their interests (Armbruster, Schumway, Segarra). Finally, John Antle's 1999 AAEA address "The New Agricultural Economics," deserves particular notice. I was seated next to Gary Fairchild during this address, and Gary's running commentary coincided with my own thoughts that the new agricultural economics differed little from the old agricultural economics—or at least the way cutting edge people have practiced and reasoned about the old agricultural economics. A lot of it is truisms based on the old but sound application of traditional economic theory.

The lessons from past presidents reinforce my thesis that the profession is on the right track but that we need to speed up our evolution toward a return to relevance and get to

the forefront of the debate on a number of pressing real world issues.

Lessons from the Profession's Role in Contemporary Issues

For the past two years my presentations about developments in the agricultural sector and the implications for agricultural economics have focused (in no particular order of importance) on seven key issues affecting southern agriculture:

- The Philosophical/Economic Basis for Farm Programs
- The Rural/Urban Interface
- The Biotechnology Revolution
- The Structure of Agriculture
- Globalization and Trade
- Risk Management
- After Tobacco, What?

There is a great deal of spillover among these issues, and there are other issues, such as food safety, that could be added. In keeping with my desire to do something different here, I will give a few succinct comments about each. Maybe a few people will find these comments profound. Some will perhaps find them idiotic or pompous. Perhaps a few of these insights will provide some humor. These observations are meant to support my notion that while we have a number of people working on the cutting edge who are bold enough to contribute to the public debate, much of the profession is lagging behind the problems.

Philosophical/Economic Basis for Farm Programs

- Freedom to farm is going to get the government out of agriculture (hah).
- Fewer farms means more government subsidies, not less.
- Farm policy should be countercyclical (duh).
- Supply shifts are predictable via micro means, even if institutional changes render aggregate supply response models based on historic data useless.
- Producers respond to misaligned marketing loan rates.

- Markets work.
- For markets to work, input markets must be allowed to work.
- “Temporary” government subsidies and the structure of the AMTA payments don’t allow input markets to work.
- If markets are not allowed to work, other government action may be called for.
- Freedom to farm will destabilize prices (this point was actually debated).
- Government stocks cut the peaks and valleys off price fluctuations.
- The higher the safety net, the higher the supply.²

The Rural/Urban Interface

This issue has two parts: environmental/nuisance issues and land value/land use issues.

Environmental/Nuisance Issues

- As long as zero discharge is the norm, how can innovative market solutions be applied?
- Maybe the people and the animals/farms ought to be kept apart.
- Environmentalists themselves believe environmental groups overstate claims of environmental damage.
- The land grant university and agricultural economists within the university are (perhaps correctly) perceived as industry captives. I have heard statements by respected agricultural economists that farmers can’t pass along on-farm pollution abatement costs. That’s bull! Farmers can’t, but markets will pass on as much as 80 percent after structural adjustments occur.
- Why is it that the only 1960s technology of animal production still being practiced today, is waste management technology?
- Tightening environmental regulations is a

surefire way to speed structural adjustment to fewer, bigger farms because large farms can dispose of waste more economically than can small ones.

- Small farms produce just as much waste per animal as large ones.

Land Value/Land Use Issues

- The South is the world capital of urban sprawl.
- Nonagriculturally driven rural land values are pricing most of the South out of conventional row-crop agriculture (also some conventional animal agriculture such as dairy).
- Population growth and the enormous surge of wealth during the past few years will propel land prices in the South even higher.
- “Carrot” solutions are hugely expensive and “stick” solutions extremely unpopular with powerful vested interest groups.
- In the absence of innovative public policy solutions, the future landscape of the rural south is pine trees and manufactured homes.

The Biotechnology Revolution

- The biotechnology revolution is fundamentally little different from previous technological revolutions.
- As in previous technological revolutions, the post-modern Luddites won’t win this one either.
- The European backlash to biotechnology is mostly a thinly veiled proliferation of economic protectionism supported in part by lack of confidence in the food safety regulatory system.
- The economics of biotechnology and the economics of labeling will be fertile fields for study and research.

Structure of Agriculture

- Big usually is better.
- Targeting program benefits to smaller

² Two groups in our region, Daryll Ray and the Agricultural Policy Center at the University of Tennessee and Ron Knutson and his colleagues at the Food and Agricultural Policy Center at Texas A&M, have done a great job in recent years of keeping our eyes focused on some of these basics of policymaking that seem periodically to be forgotten.

farmers is a good way to create a lot of "persons" on large farms.

- Is there such a thing as a "temporal" monopoly, and if so how do we deal with it?
- If you owned hogs and also a slaughter plant, wouldn't you give your own animals priority?
- Can you name an industry that is forbidden to own its raw material inputs?

the desire for food, clothing, shelter, and sex. Rent-seeking is ugly. Perhaps the only thing uglier is people within the profession who carve off a tiny portion of these rents with bad logic, analysis, and application of economic theory.

Personal Lessons

A recent study at Cornell revealed a strange paradox. Incompetent people are supremely confident of their abilities, much more so than competent people. I have an *extremely* confident Dean who wrote on my post-tenure review that I should "mentor the young faculty." (Apparently he forgot that at the time we had only one faculty member with less than 12 years of experience). But this address now gives me the opportunity to do just that.

The first piece of advice is to read Stephen Covey's *The Seven Habits of Highly Effective People* and follow his suggestions better than I often do.

The next three pieces of advice are "sayings" used by Sandra Batie. Sandra says these have never been published. They deserve to be and now they are.

Globalization and Trade

- If the concept that trade is good is so uniformly believed by economists, why can't we sell other people on the idea?
- The EU is shooting itself in the foot with its high internal price supports, protectionism, and export subsidies (Luther Tweeten in a 1999 SAEA symposium).
- The EU is shooting us and other exporting nations about three feet higher (Harris response to Tweeten).
- On the Seattle fiasco: "Methinks Thou Protests Too Much."

Risk Management

- The crop insurance mafia and the futures mafia within the profession would have you believe they have all the answers. They don't, but they have cornered the market.

Tobacco

- The profession has been absolutely gutless in offering potential solutions to the problems with tobacco.
- Tobacco issues have become so politicized that we now are of little use.
- The best answer to "after tobacco, what?" may be "more tobacco."
- As with other commodities, the multiplier is less than seven.

- 1) "All things worth doing are not necessarily worth doing well."
- 2) "Successful species do not eat their own young."

2a) "Or foul their own nest."³

- 3) "No good deed goes unpunished; good work gets you more good work." I believe the 80-20 rule now popularized in farm structure debates may also hold for our profession. The rule states that 20 percent of the firms produce 80 percent of the output. There are two nuggets here: First, if you are going to be good, be prepared to shoulder ever-increasing levels of responsibility. Second, learn when to say "no."

Finally, a comment about a common thread that runs through all these issues. The seeking and preservation of government-created rents must be as ingrained in the human species as

³ Some may accuse me of violation of this rule with this address. I view this as a discussion within a family gathering. I do not advertise warts within the profession when addressing policymakers or potential funding sources, and I try not to criticize colleagues when speaking before public groups.

Finally, here are some rules that have helped me:

Have Fun! I don't believe we have as much fun at our work or even at our play as we used to. Fun at work now largely consists of forwarding semi-obscene jokes around on email. The annals of agricultural economics should include the "Great Carpet Caper" at Virginia Tech and the Fairchild Farms Sweet Potato Orchard story at the University of Florida, plus many other marvelous practical jokes.

Socialize/Communicate at Work. A corollary to having fun is to socialize and talk to colleagues. The coffee breaks at Purdue, at Virginia Tech, and at Clemson were a valuable part of my life-long learning; they initiated numerous ongoing debates and collaborative efforts. The coffee break at Clemson is either dead or in an eight-year coma, I hear that's the case in other Departments. We also seem to have fewer seminars and they are poorly attended.

Get in Position to Get Even. I can almost guarantee all of you that at some time in your career you will be grievously wronged. It may be by an administrator, but it may well be by a colleague—an undeserved poor review of a grant or paper, omission from an invitation list, etc. We are a pretty small and sometimes petty profession. If you are good, I can almost guarantee that you will have a chance to get even. Whether you choose to get even or not is up to you, but getting in position to do so is a powerful motivational tool.

Shift Gears. I cannot imagine the amount of rust that would accumulate over a 20–30 year career of doing the same thing. Get renewed! Take a sabbatical. Choose an entirely different type of issue to work on.

Don't Thank Me, Thank My Boss! Sometimes we receive heartfelt thanks for a job well done, a successful team effort, for favors done beyond the normal call of duty. Don't thank me, thank my boss—this is elementary, but often forgotten.

Toot Your Own Horn. I just finished chairing the SAEA awards and recognition committees and was disappointed that a number of departments in the South, including my own,

apparently had no one they felt worthy of recognition. It made my job easier but it is an appalling situation. You don't have to be an egotist to toot your own horn.

Perhaps this weakness is part of our professional culture. For years agricultural economics sat back while our well-organized sister disciplines in agriculture carved out niches in federal funding and cultivated valuable relationships in Washington with funding agencies and support organizations.

C-FARE was created to toot our profession's horn. It is necessary to be relevant and willing to contribute to the debate on important public issues, but it is not sufficient. I have asked the SAEA Board to join C-FARE's efforts on behalf of the profession with an annual contribution of \$5,000, for which the Association will be given a seat on the Board of Directors. This will assure that agricultural economists in the South have representation on the national research and education policy agenda.

In conclusion, I wonder what words would be here to haunt me had I been given this opportunity after my two previous nominations for President. And I wonder what words the President of SAEA will have to offer 100 years from now.

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